

December 2002



North Dakota REV-E-NEWS

**From Rod Backman, Director
Office of Management and Budget
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Gross domestic product is on track to gain 1.5 percent in the current quarter, compared to 3 percent growth during the previous year. *Economy.com* expects the economy to avoid falling back into a recession. *Economy.com* estimates the probability of a double-dip recession at one-in-three. By this time next year the economy is expected to return to growth that is above 3 percent. National unemployment, which is currently at a decade high of 6 percent, is expected to peak at just short of 6.5 percent this summer.

North Dakota continues to have one of the lowest unemployment rates in the nation. The October 2002 unemployment rate for North Dakota was 2.4 percent, down from the previous months unemployment rate of 2.6 percent.

Farewell from the Director

It is hard for me to express in words just how much I have enjoyed this job. Working with the Governor's Office, the Legislature, the Judiciary, the agencies, and especially the staff at OMB has been so much fun that it's not even fair to call it a job.

OMB has been a great experience and I thank all of you for your part in that experience, especially Governors Hoeven and Schafer for giving me the opportunity to serve the people of North Dakota.

While I am excited about my new business opportunities that lie ahead, I can truly say that I will miss all of you, and state government.

Thanks Again!!

Rod

Oil Activity

North Dakota currently has 11 oil rigs drilling in North Dakota compared to 13 one year ago. The price of oil remains in the range of \$22 barrels per day.

October oil production was estimated at 84,399 barrels per day, down slightly from the September production of 84,622 per day.

Comments or Questions???

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STATEMENT OF GENERAL FUND REVENUES AND FORECASTS
Compared to November 2002 Executive Forecast
2001-03 BIENNIUM
November 2002

REVENUES AND TRANSFERS	FISCAL MONTH				BIENNIUM TO DATE			
	November 2002 Executive Forecast	Actual	Variance	Percent	November 2002 Executive Forecast	Actual	Variance	Percent
Sales Tax	27,831,000.00	\$ 25,731,302.83	\$ (2,099,697.17)	-7.5%	\$ 456,167,587.00	\$ 454,882,826.18	\$ (1,284,760.82)	-0.3%
Motor Vehicle Excise Tax	4,596,000.00	4,207,717.45	(388,282.55)	-8.4%	86,954,695.00	85,907,317.35	(1,047,377.65)	-1.2%
Individual Income Tax	14,944,000.00	12,996,374.21	(1,947,625.79)	-13.0%	272,310,631.00	271,515,979.10	(794,651.90)	-0.3%
Corporate Income Tax	1,530,000.00	1,649,211.12	119,211.12	7.8%	48,917,874.00	49,047,200.38	129,326.38	0.3%
Insurance Premium Tax	3,300,000.00	4,058,154.52	758,154.52	23.0%	29,770,376.00	30,612,218.77	841,842.77	2.8%
Financial Insitutions Tax		(412,224.00)	(412,224.00)	100.0%	2,982,058.00	2,699,612.04	(282,445.96)	-9.5%
Oil & Gas Production Tax	1,601,000.00	1,811,205.49	210,205.49	13.1%	28,458,966.00	28,687,646.93	228,680.93	0.8%
Gaming Tax	2,100,000.00	1,439,362.20	(660,637.80)	-31.5%	19,845,281.00	20,017,509.18	172,228.18	0.9%
Interest Income	236,000.00	124,619.91	(111,380.09)	-47.2%	6,522,888.00	6,400,476.73	(122,411.27)	-1.9%
Oil Extraction Tax	1,056,000.00	1,113,622.25	57,622.25	5.5%	15,747,648.00	15,863,142.81	115,494.81	0.7%
Cigarette & Tobacco Tax	1,714,000.00	1,652,318.67	(61,681.33)	-3.6%	28,854,530.00	28,832,797.08	(21,732.92)	-0.1%
Departmental Collections	1,200,000.00	1,890,746.40	690,746.40	57.6%	43,087,273.00	43,776,237.10	688,964.10	1.6%
Wholesale Liquor Tax	463,000.00	565,069.67	102,069.67	22.0%	7,944,220.00	7,984,698.03	40,478.03	0.5%
Coal Conversion Tax	2,072,000.00	2,118,223.87	46,223.87	2.2%	33,374,496.00	33,323,265.53	(51,230.47)	-0.2%
Mineral Leasing Fees	300,000.00	432,120.59	132,120.59	44.0%	4,645,495.00	4,803,933.14	158,438.14	3.4%
Bank of North Dakota-Transfer					30,000,000.00	30,000,000.00		0.0%
State Mill & Elevator-Transfer								
Gas Tax Admin-Transfer					1,022,544.00	1,022,544.00	-	0.0%
Other Transfers		1.00	1.00	100.0%	71,249.00	84,438.96	13,189.96	0.0%
Total Revenues and Transfers	62,943,000.00	59,377,826.18	(3,565,173.82)	-5.7%	1,116,677,811.00	1,115,461,843.31	(1,215,967.69)	-0.1%

COMPARISON TO PREVIOUS BIENNIUM REVENUES
2001-03 BIENNIUM
NOVEMBER 2002

REVENUES AND TRANSFERS	FISCAL MONTH				BIENNIUM TO DATE			
	November 2000	November 2002	Variance	Percent	1999-01	2001-03	Variance	Percent
Sales Tax	\$ 25,505,541.70	\$ 25,731,302.83	\$ 225,761.13	0.9%	\$ 435,322,189.86	\$ 454,882,826.18	\$ 19,560,636.32	4.5%
Motor Vehicle Excise Tax *	4,207,717.45	4,207,717.45	-	0.0%	79,589,000.75	85,907,317.35	6,318,316.60	7.9%
Individual Income Tax	8,936,099.60	12,996,374.21	4,060,274.61	45.4%	263,464,883.77	271,515,979.10	8,051,095.33	3.1%
Corporate Income Tax	237,912.54	1,649,211.12	1,411,298.58	593.2%	59,702,037.68	49,047,200.38	(10,654,837.30)	-17.8%
Insurance Premium Tax	3,735,895.74	4,058,154.52	322,258.78	8.6%	25,445,763.45	30,612,218.77	5,166,455.32	20.3%
Financial Insitutions Tax	(28,311.00)	(412,224.00)	(383,913.00)	1356.1%	2,455,390.16	2,699,612.04	244,221.88	9.9%
Oil & Gas Production Tax	1,766,191.73	1,811,205.49	45,013.76	2.5%	30,065,210.98	28,687,646.93	(1,377,564.05)	-4.6%
Gaming Tax	2,098,099.12	1,439,362.20	(658,736.92)	-31.4%	19,462,143.76	20,017,509.18	555,365.42	2.9%
Interest Income	879,004.61	124,619.91	(754,384.70)	-85.8%	13,262,316.52	6,400,476.73	(6,861,839.79)	-51.7%
Oil Extraction Tax	1,071,278.70	1,113,622.25	42,343.55	4.0%	19,010,279.73	15,863,142.81	(3,147,136.92)	-16.6%
Cigarette & Tobacco Tax	1,814,151.98	1,652,318.67	(161,833.31)	-8.9%	30,440,365.94	28,832,797.08	(1,607,568.86)	-5.3%
Departmental Collections	1,112,238.96	1,890,746.40	778,507.44	70.0%	28,226,684.30	43,776,237.10	15,549,552.80	55.1%
Wholesale Liquor Tax	507,794.98	565,069.67	57,274.69	11.3%	7,280,655.17	7,984,698.03	704,042.86	9.7%
Coal Severance Tax	880,043.17	0.00	(880,043.17)	-100.0%	15,780,478.71	775,793.99	(15,004,684.72)	-95.1%
Coal Conversion Tax	1,047,384.32	2,118,223.87	1,070,839.55	102.2%	17,735,662.28	32,547,471.54	14,811,809.26	83.5%
Mineral Leasing Fees	426,893.48	432,120.59	5,227.11	1.2%	5,497,098.65	4,803,933.14	(693,165.51)	-12.6%
Bank of North Dakota-Transfer					15,000,000.00	30,000,000.00	15,000,000.00	100.0%
State Mill & Elevator-Transfer								
Gas Tax Admin-Transfer					1,035,456.00	1,022,544.00	(12,912.00)	-1.2%
Other Transfers		1.00	1.00	100.0%	2,056,365.23	84,438.96	1,971,926.27	95.9%
Total Revenues and Transfers	54,197,937.08	59,377,826.18	5,179,889.10	9.6%	1,070,831,982.94	1,115,461,843.31	44,629,860.37	4.2%

* November 2000 Motor Vehicle Excise Tax collections were estimated as the Department of Transportation was converting to a new computer system and was unable to process all the collections.

Revenue Variances

The following comments are based on the November revenue collections compared to the November 2002 executive revenue forecast.

Sales tax collections fell below projections by \$2.1 million or 7.5 percent for the month of November. The fact that sales tax collections in the first week of December were considerably stronger than anticipated, leads us to believe that this shortfall is due primarily to timing. The Thanksgiving weekend fell at the end of the month which increases the possibility of many returns not reaching the Tax Department in time to be processed by the end of the month. Biennium-to-date collections are \$1.3 million or 0.3 percent behind projections based on the executive revenue forecast.

Motor vehicle excise tax collections fell \$388,283 or 8.4 percent behind projections for November. Once again, timing may have played a role in this slight shortfall for the month.

Individual income tax collections fell below November projections by \$1.9 million or 13.0 percent. Timing very likely played a roll in this shortfall as well. Biennium-to-date collections are now \$794,652 or 0.3 percent behind projections based on the executive revenue forecast.

Corporate income tax collections exceeded projections by \$119,211 or 7.8 percent, which brings biennium-to-date projections to \$129,326 or 0.3 percent ahead of projections.

Insurance premium tax collections exceeded projections by \$758,155 or 23.0 percent, which brings the biennium-to-date collections to \$841,843 or 2.8 percent ahead of projections.

Although gaming tax collections fell below projections by \$660,638 in November, collections in the previous month exceeded projections by \$832,866, leading us to believe that timing of collections played a roll in the variances of both months. Biennium-to-date collections are \$172,228 or 0.9 percent ahead of projections.

Departmental collections exceeded projections by \$690,746. The Securities Commission collected a settlement from Merrill Lynch in the amount of \$500,000, which accounts for most of the overage.

Oil and gas production tax collections exceeded projections by \$210,205 or 13.1 percent, while oil extraction tax collections exceeded projections by \$57,622 or 5.5 percent for November.

Oil and gas production tax collections exceeded projections by \$210,205 or 13.1 percent, while oil extraction tax collections exceeded projections by \$57,622 or 5.5 percent for November.

In total, monthly collections for November fell below projections by \$3.6 million or 5.7 percent and biennium-to-date collections are below projections by \$1.2 million or 0.1 percent based on the most recent forecast.

A Happy
New
Year!

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